

THE I/FAX



ADMINISTERED BY ILLINOIS STATE TREASURER ALEXI GIANNOULIAS

Contact us at www.illinoisfunds.com or 1-800-346-7414

DECEMBER 2007

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Yesterday's Rates 12/17/07

Money Market Fund

3.845%

Prime Fund

4.558%

Happy Holidays

Treasurer Giannoulis and the Illinois Funds staff wish you and yours a very Happy Holiday and New Year.

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As a reminder, the Illinois Funds will close early on Christmas Eve and be closed on Christmas Day. Furthermore, the Illinois Funds will close early on New Year's Eve and be closed on New Year's Day. All early closes occur at approximately 12:00 p.m. (CST).

MARKET PERSPECTIVE

On December 11, the Federal Open Market Committee cut the fed funds target rate by 25 basis points to 4.25%. It also voted to cut the discount rate by 25 basis points to 4.75%. Like at the last meeting, there was one dissenting vote. This time instead of a vote in favor of no ease by Hoenig, Rosengren dissented, favoring a 50 basis point cut.

Most upset with the Fed's decision were traders and investors who wanted more forceful action and a 50 basis point cut. They claim that the Fed lacks any sense of urgency and is not worried enough about growth. The markets were counting on a 50 basis point cut to help banks with their year-end funding problems.

In its statement last month the Federal Open Market Committee judged that "upside risks to inflation roughly balance the downside risks to growth." At December's meeting, the Fed revised the statement by saying that, "recent developments, including the deterioration in financial market conditions, have increased the uncertainty surrounding the outlook for economic growth

and inflation."

Sounds like more of the same. Even though the Fed realizes that risks to growth have increased, it refuses to let go of inflation worries. Many participants feel that the Fed should have formally shifted its balance of risk.

While the Fed didn't formally change its bias, the markets feel that the Fed has left the door open for further rate cuts based on this statement: "The Committee will continue to assess the effects of financial and other developments on economic prospects and will act as needed to foster price stability and sustainable economic growth." Shortly after the meeting the Fed Funds futures were pricing in a 63% chance of a 25 basis point cut and a 25% chance of a 50 basis point cut at their next meeting in January.

As we look toward the year ahead, we will continue to monitor market developments and keep a close eye on further risks to the economy. While our main focus will be the safety and liquidity of the Funds, we will be looking to extend ourselves under favorable market conditions in anticipation of further easing by the Fed.

For the Prime Fund we will look to extend the WAM, investing in the 1 to 6 month range in expectation of more rate cuts. At month-end, the Money Market Fund's weighted average maturity (WAM) was 5 days, and the Prime Fund's WAM was 32 days.

What people are saying about Rapid Revenue

"We are extremely satisfied with the Rapid Revenue direct deposit program. We utilize the direct deposit for all Cook County property tax receipts and all state shared revenues. The ease of direct deposit gets the money into our ac-

count as soon as possible to begin earning interest."

*Beverly Sterrett
Finance Director
Village of Sauk Village*



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 11/30/07

Money Market Fund (Daily Liquidity)

Prime Fund (7-day Liquidity) after 30-day minimum term

Net Portfolio Assets (in millions)	\$4,772	Net Portfolio Assets (in millions)	\$1,806
Monthly Investment Earnings (in 1000's)	\$17,302	Monthly Investment Earnings (in 1000's)	\$7,085
7 Day Yield*	3.75%	7 Day Yield*	4.71%
One Month Yield*	4.08%	One Month Yield*	4.71%
Net Asset Value (per share)	\$1.00	Net Asset Value (per share)	\$1.00
Weighted Average Maturity	5	Weighted Average Maturity	32
*Yield Net of Fees		*Yield Net of Fees	

Monthly Public Sector Rate Comparison

The Illinois Funds, MMF	4.08%	The Illinois Funds, Prime	4.71%
S&P Govt Inv Pool-Govt Fund Index	4.90%	S&P Govt Inv Pool-Taxable Funds Index	5.16%
IL School Dist Liquid Asset	4.60%	IL School Dist Liquid Asset Max	4.77%
3 Month Treasury Bill	3.33%	3 Month Treasury Bill	3.33%
6 Month Treasury Bill	3.56%	6 Month Treasury Bill	3.56%

Monthly Private Sector Rate Comparison

The Illinois Funds, MMF	4.08%	The Illinois Funds, Prime	4.71%
IMoneynet™ - Govt. Institutional	4.08%	Federated Govt Obligations	4.53%
Fidelity - 695 Treas Fund	4.02%	Fidelity - 57 Govt Fund	4.65%
Goldman Fin Sq Treas Fund - 468	4.01%	Goldman Fin Sq Govt Fund - 465	4.64%
30 Day Time Deposit	4.31%	90 Day Time Deposit	4.49%

FUND COMPOSITIONS

Money Market Fund

89.6% - Repurchase Agreements
8.3% - Money Market Funds
2.1% - Certificates of Deposit
0.0% - Treasury Bills
0.0% - Treasury Notes

Prime Fund

59.6% - Repurchase Agreements
2.0% - Certificates of Deposit
4.7% - US Government Agencies
1.5% - Money Market Funds
32.2% - Commercial Paper

E-Pay Account Rate

3.845% 12/17/07

1-866-831-5240

www.illinoisepay.com

Rapid Revenue Acct. Rate

3.845% 12/17/07

1-800-346-7414

Visit our website at www.illinoisfunds.com for further information.